

INVESTMENT OBJECTIVE

The Coronation Granite Hedge Fund is managed as a long/short fixed income fund, investing in a diversified portfolio of securities, including derivative instruments, bonds and cash. The Coronation Granite Hedge Fund makes use of six core and distinct fixed income strategies, namely: Directional View Taking, Yield Curve Positioning, Corporate Credit Opportunities, Arbitrage Strategies, Quantitative and Relative Value Trades in the pursuit of producing consistent absolute returns independent of general market direction.

The fund is expected to have low volatility with a very low correlation to the All Bond Index (ALBI). Investment decisions are driven by fundamental proprietary in-house research. The fund's target return is cash plus 3%. The objective is to achieve this return with low risk, providing attractive risk-adjusted returns through a low fund standard deviation.

The fund may make use of derivative instruments for efficient portfolio management purposes.

INVESTMENT PARAMETERS

The Coronation Granite Hedge Fund may invest in international investments. The fund may use leverage but such leverage shall be limited to 5 (five) times. The fund is precluded from raising any debt funding over and above that achieved in terms of the long/short process. Value at risk is monitored on a daily basis and is subject to an internal limit of 6% at a 95% confidence level, and 10% at a 99% level. The maximum modified duration of the fund may not exceed that of the ALBI. The portfolio will have maximum credit exposure limits with reference to credit classification bands, determined in accordance with the fund's Credit Exposure Guidelines. Limits per issuer within each credit classification band exist and are monitored on a daily basis. No writing of uncovered options will be permitted. The fund employs stop-loss strategies to facilitate capital preservation. The intention is to invest the majority of the fund in liquid tradable securities that are listed on BESA or the JSE. The fund may invest in unlisted vehicles, in particular money market investment and exposure to small capitalisation shares may be achieved in this way. Investment in derivatives is permitted for efficient investment management of the fund.

FUND RETURNS*

	Fund	ALBI	FRODS
Since inception (cumulative)	582.9%	549.6%	297.6%
Since inception p.a.	9.5%	9.2%	6.7%
Latest 10 year p.a.	8.0%	8.0%	5.7%
Latest 5 year p.a.	7.6%	8.2%	5.3%
Latest 1 year	12.0%	9.7%	7.7%
Year to date	12.0%	9.7%	7.7%
Month	1.2%	1.5%	0.7%

*Fund Returns since inception to 30 September 2023 are for the A class (the most expensive fee class prior to the A class being closed on 30 September 2023) and was calculated net of fees and net of fund expenses. Fund Returns from 1 October 2023 to date are for the Z class. Fund Returns for the Z class are calculated net of fund expenses and gross of investment management and performance fees. Investment management and performance fees are individually agreed with each Qualified Investor prior to investment and are levied outside of the fund. Each Qualified Investor receives a monthly report indicating performance net of their individual fees and expenses.

PERFORMANCE & RISK STATISTICS (Since inception)*

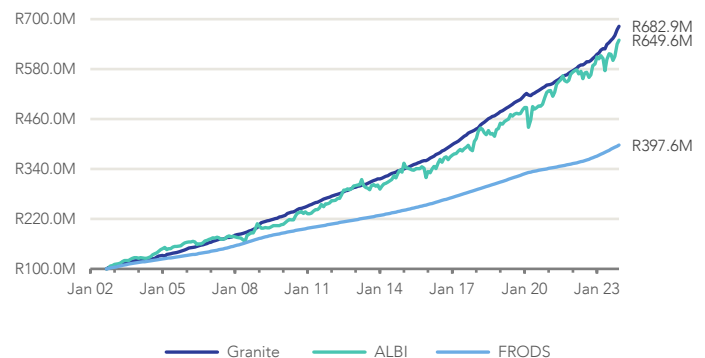
	Fund	ALBI	FRODS
Average Annual Return	9.2%	8.9%	6.6%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.3%	0.6%
Downside Deviation	1.1%	5.3%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.60	0.34	
Sortino Ratio	2.40	0.47	
% Positive Months	98.0%	69.8%	100.0%
Correlation (ALBI)	0.16		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

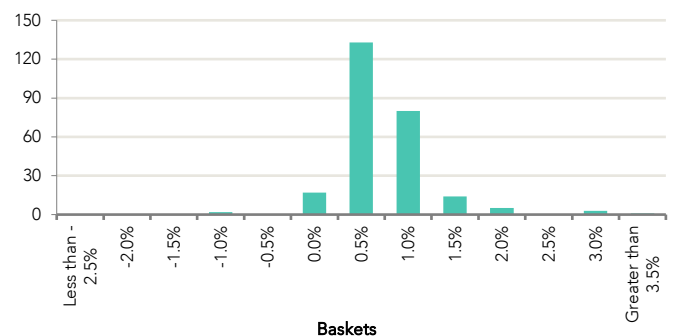
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Target Return	Cash + 3%
Annual Management & Performance Fees	Annual Management and Performance Fees are agreed and levied outside of the Fund.
Total Expense Ratio (TER)[†]	0.21% (excluding management and performance fees)
Transaction Costs (TC)[†]	0.02%
Fund Size (R'Millions) [‡]	R215.32
Fund Status	Open
NAV (per unit)	101.36 cents
Base Currency	ZAR
Dealing Frequency	Monthly
Income Distribution	Annual (with all distributions reinvested)
Minimum Investment	R1 million
Notice Period	1 month
Investment Manager	Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893)
Auditor	KPMG Inc.
Prime Brokers	Absa Bank Ltd and FirstRand Bank Ltd
Custodian	Nedbank Ltd
Administrator	JP Morgan Chase Bank, N.A., London Branch
Portfolio Managers	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

[†]TER and TC data is provided for the 1 year ending 30 November 2023. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard. [‡]Fund assets under management as at 31 December 2023.

GROWTH OF R100m INVESTMENT*



HISTOGRAM OF MONTHLY NET RETURNS



PORTFOLIO LIQUIDITY

	Days to Trade
Long	89.0
Short	16.1

INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-23	11.42	0.00	11.42

STRATEGY STATISTICS

Number of long positions	42
Number of short positions	6

MONTHLY COMMENTARY

The Fund* returned 1.2% in December taking the one-year return to 12.0%. This places the Fund 4.3% ahead of cash over 12 months.

The South African economy contracted by 0.2% quarter on quarter (q/q) in the third quarter of 2023 (Q3-23) following revised growth of 0.5% q/q in the second quarter of the year. An intensification of logistical challenges and persistent loadshedding put immense pressure on both primary and secondary sectors, which all contracted except for a very small positive contribution from utilities. The services sectors were able to grow at a modest pace, despite these challenges. On the expenditure side, household spending and gross fixed capital were weak, with limited offset from an increase in public employment, which boosted government spending, and considerably weaker imports. Early data for the fourth quarter of 2023 remains weak, raising the risk that South Africa entered a recession in the second half of the year.

Headline inflation slowed to 5.5% y/y in November from 5.9% y/y in October, while core inflation increased to 4.5% y/y from 4.4% y/y. Lower headline inflation was due to a cut in retail fuel prices, which was slightly offset by higher food prices. Recent survey data from the Bureau for Economic Research suggests that food prices have remained elevated, albeit off peaks, reflecting the weaker currency and a high-cost operating environment. Elsewhere, price changes remain a bit of a mixed bag: household furnishings and appliances prices fell after previous gains, and alcoholic beverages and tobacco prices fell, both taking some pressure off core goods prices. However, this was partly offset by rising prices for vehicle and recreational items. Core services inflation remains well-anchored, mostly because of weak rental inflation, which provides an offset to stickier prices in other core items.

The last 18 months have seen aggressive rate hiking campaigns across most of the developed and emerging world. Inflation is easing, which should allow central banks to begin easing monetary policy. This monetary policy pivot should help support emerging markets as capital flows towards the higher yields on offer. SA, specifically, is in dire need of capital to fund our burgeoning deficits as growth falters and inflation remains towards the upper end of targets. This reprieve will only prove temporary unless reform implementation is accelerated through an increase in private sector participation. As such, while SA's fixed income valuations remain favourable, a failure of self-help to take hold more concretely in SA would see fundamentals deteriorate further and provide an offsetting force against already elevated yields.

December is typically a tricky period for domestic fixed income portfolios to operate over – especially hedge funds. The decline in market liquidity across the board reduces manoeuvrability and raises portfolio risk thresholds, meaning fund trading activity is naturally tempered, unless exceptional opportunities present themselves. However – for once, it seemed – December in SA was a relatively subdued period for newsflow and market volatility. The Fund had positioned itself relatively conservatively into the closing weeks of the year, primarily with a view to maintain flexibility to add risk into any idiosyncratic events. These opportunities didn't arise, although the Fund did have reasonable high-carry exposures in play, which helped to furnish a decent uplift to performance to provide for a satisfactory month to round off 2023.

*The Fund return is net of expenses and gross of fees.

REGULATORY DISCLOSURE AND DISCLAIMER

The content of this document and any information provided may be of a general nature and is not based on any analysis of the investment objectives, financial situation or particular needs of any potential investor. As a result, there may be limitations as to the appropriateness of any information given. It is therefore recommended that any potential investor first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit the risk profile of the potential investor prior to acting upon such information and to consider whether any recommendation is appropriate considering the potential investor's own objectives and particular needs. Neither Coronation Fund Managers Limited nor any subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act and nor is it authorised to act in any way as an adviser. Any opinions, statements or information contained herein may change and are expressed in good faith. Coronation does not undertake to advise any person if such opinions, statements or information should change or become inaccurate. Coronation Management Company (RF) (Pty) Ltd is an approved manager of Collective Investments Schemes. Collective Investment Schemes are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future performance of the Fund. Hedge Fund strategies can result in losses greater than the market value of the Fund, however investor's losses are limited to capital invested or contractual commitments. Hedge Funds may invest into illiquid instruments which may result in longer periods for investors to redeem units in a portfolio. The ability of a portfolio to repurchase is dependent upon the liquidity of the portfolio and cash of the portfolio. All income, capital gains and other tax liabilities that may arise as a result of participating in this investment structure remain that of the investor. Coronation reserves the right to close the Fund to new investors in order to ensure the Fund is more efficiently managed in line with our clients' mandates. The investor acknowledges the inherent risk associated with an investment in the Fund and agrees that Coronation will not be liable for the consequences of the market influences and consequent changes in unit prices. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager provides no guarantee either in respect of capital preservation or investment return. The Fund's net asset value and price per participatory interest is available at any time on request as well as published monthly in the Fund Fact Sheet, available on www.coronation.com. Investors and potential investors may contact the Manager for the latest version of the application form, annual report, and any additional information required on the Fund, free of charge. Coronation Fund Managers Limited is a full member of the Association for Savings and Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548), Coronation Investment Management International (Pty) Ltd (FSP 45646) and Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893) are authorised financial services providers. Coronation Life Assurance Company Limited is a licenced insurer under the Insurance Act, No.18 of 2017.